

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name City of Lansing and County of Ingham JBA	County Ingham
Fiscal Year End 12/31/2006	Opinion Date 6/20/2007	Date Audit Report Submitted to State 6/27/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

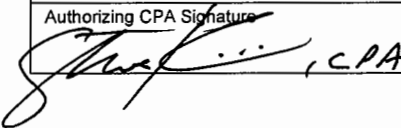
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic, CPA	License Number 1101022020

**City of Lansing and County of Ingham  
Joint Building Authority  
Lansing, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2006**

City of Lansing and County of Ingham Joint Building Authority

Ingham County, Michigan

December 31, 2006

BOARD OF TRUSTEES

Alfred Dore

City of Lansing Appointee

Gerald Ambrose

Ingham County Appointee

Mary Lennoye

Joint Appointee

City of Lansing and County of Ingham Joint Building Authority

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
City of Lansing and County of Ingham Joint Building Authority  
Lansing, Michigan

We have audited the accompanying financial statements of the City of Lansing and County of Ingham Joint Building Authority as of and for the year ended December 31, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Lansing and County of Ingham Joint Building Authority as of December 31, 2006, and the results of its operations and cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented a Management's Discussion and Analysis (MD&A), which would be an analysis of the financial performance for the year ended. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be, part of the financial statements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2007

## **BASIC FINANCIAL STATEMENTS**

City of Lansing and County of Ingham Joint Building Authority

STATEMENT OF NET ASSETS

December 31, 2006

ASSETS

Current assets

Pooled cash and investments	\$ 71,120
Accounts receivable	6,880
Interest receivable	36
Due from other governmental units	30,561
Prepaid items	8,908

Total current assets 117,505

Noncurrent assets

Unamortized bond issuance costs	133,005
Capital assets not being depreciated	470,000
Capital assets, net of accumulated depreciation	19,333,562

Total noncurrent assets 19,936,567

TOTAL ASSETS 20,054,072

LIABILITIES

Current liabilities

Accounts payable	6,879
Accrued interest payable	74,906
Unearned revenue	8,908
Current portion of bonds payable	630,000

Total current liabilities 720,693

Noncurrent liabilities

Bonds payable	9,661,934
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TOTAL LIABILITIES 10,382,627

NET ASSETS

Invested in capital assets, net of related debt	9,511,628
Unrestricted	159,817

TOTAL NET ASSETS \$ 9,671,445

See accompanying notes to financial statements.

City of Lansing and County of Ingham Joint Building Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2006

OPERATING REVENUES	
Lease payments from City of Lansing	\$ 601,957
Lease payments from Ingham County	<u>518,837</u>
TOTAL OPERATING REVENUES	1,120,794
OPERATING EXPENSES	
Depreciation	985,722
Amortization	43,929
Other operating expenses	<u>36,790</u>
TOTAL OPERATING EXPENSES	<u>1,066,441</u>
OPERATING INCOME	54,353
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	5,453
Interest and fiscal charges	<u>(437,338)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(431,885)</u>
CHANGE IN NET ASSETS	(377,532)
Net assets, beginning of year	<u>10,048,977</u>
Net assets, end of year	<u><u>\$ 9,671,445</u></u>

See accompanying notes to financial statements.



City of Lansing and County of Ingham Joint Building Authority

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 1,111,122
Cash paid to suppliers	<u>(16,387)</u>

NET CASH PROVIDED BY  
OPERATING ACTIVITIES

1,094,735

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES

Principal paid on long-term debt	(660,000)
Interest paid on long-term debt	<u>(437,338)</u>

NET CASH (USED) BY CAPITAL AND RELATED  
FINANCING ACTIVITIES

(1,097,338)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	<u>5,453</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS

2,850

Cash and cash equivalents, beginning of year

68,270

Cash and cash equivalents, end of year

\$ 71,120

Reconciliation of operating income to net  
cash provided by operating activities

Operating income	\$ 54,353
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	985,722
Amortization	43,929
Decrease in accounts receivable	770
Decrease in interest receivable	280
(Increase) in due from other governmental units	(10,722)
Decrease in prepaids	5,607
(Decrease) in accounts payable	(1,171)
Increase in accrued interest payable	13,938
Increase in deferred revenue	<u>2,029</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 1,094,735

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lansing and County of Ingham Joint Building Authority was incorporated pursuant to Act 31, Public Acts of Michigan, 1948, as amended. The Authority was created by the City of Lansing, Michigan (the "City") and the County of Ingham, Michigan (the "County") for the purpose of acquiring, renovating, furnishing, equipping, operating, and maintaining facilities for use in any legitimate public purpose of the incorporating units.

**1. Reporting Entity**

These financial statements represent the financial condition and results of operations of a joint venture, as defined under GASB Statement No. 14. Because the joint venture agreement does not provide an explicit contractual formula outlining the participants' claim to the Authority's assets, this is deemed to be a joint venture with no equity interest. The significance of this distinction is that the joint venture participants will not report an equity interest in the assets of the Authority on the face of their respective financial statements.

No other governmental entities are part of the Authority. Currently, the Authority has no employees.

**2. Basis of Presentation**

The accounts of the Authority are organized on the basis of a fund, which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Authority resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

**PROPRIETARY FUND**

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Authority uses a single proprietary (enterprise) fund to account for and report its financial activities, which are limited to business-type activities - i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations.

**4. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The Authority uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued before December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. Operating expenses include the costs of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Pooled Cash and Investments

Pooled cash and investments include amounts in the Ingham County Treasurer's cash management pool, which has the general characteristics of demand deposits in that deposits and withdrawals may be made at any time without prior notice or penalty.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations and to invest in obligations of the United States, certain commercial papers, repurchase agreements, and banker acceptances.

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

7. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable). The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	30 years
Equipment	5 years

8. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

City of Lansing and County of Ingham Joint Building Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE B: POOLED CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Authority is authorized to invest any of its funds in one (1) or more of the following:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At year-end, the carrying amount of the Authority's deposits in the Ingham County Treasurer's cash management pool was \$71,120. Information regarding the Ingham County Treasurer's cash management pool, including bank balances, insurance coverage, and risk categorization, is presented in the Ingham County comprehensive annual financial report, which may be obtained by writing Ingham County Financial Services Division, P.O. Box 319, Mason, MI 48854, or by calling (517) 676-7329.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Capital assets not being depreciated				
Land	\$ 470,000	\$ -	\$ -	\$ 470,000

City of Lansing and County of Ingham Joint Building Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE C: CAPITAL ASSETS - CONTINUED**

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Capital assets being depreciated				
Buildings and improvements	\$22,017,409	\$ -	\$ -	\$22,017,409
Equipment	<u>1,259,041</u>	<u>-</u>	<u>-</u>	<u>1,259,041</u>
Totals at historical cost	23,276,450	-0-	-0-	23,276,450
Less accumulated depreciation for:				
Buildings	( 2,201,742 )	( 733,914 )	-	( 2,935,656 )
Equipment	<u>( 755,424 )</u>	<u>( 251,808 )</u>	<u>-</u>	<u>( 1,007,232 )</u>
Total accumulated depreciation	<u>( 2,957,166 )</u>	<u>( 985,722 )</u>	<u>-0-</u>	<u>( 3,942,888 )</u>
Net capital assets being depreciated	<u>20,319,284</u>	<u>( 985,722 )</u>	<u>-0-</u>	<u>19,333,562</u>
Capital assets, net	<u>\$20,789,284</u>	<u>\$ ( 985,722 )</u>	<u>\$ -0-</u>	<u>\$19,803,562</u>

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Due Within One Year
General obligation debt:					
1999 Series	\$ 2,285,000	\$ -	\$( 525,000 )	\$ 1,760,000	\$ 555,000
2005 Series - refunding	<u>9,105,000</u>	<u>-</u>	<u>( 135,000 )</u>	<u>8,970,000</u>	<u>75,000</u>
Subtotal	11,390,000	-0-	( 660,000 )	10,730,000	630,000
Unamortized discount	( 30,304 )	-	2,165	( 28,139 )	-
Unamortized loss on refunding	<u>( 441,460 )</u>	<u>-</u>	<u>31,533</u>	<u>( 409,927 )</u>	<u>-</u>
Subtotal	<u>( 471,764 )</u>	<u>-0-</u>	<u>33,698</u>	<u>( 438,066 )</u>	<u>-0-</u>
Total general obligation bonds	<u>\$10,918,236</u>	<u>\$ -0-</u>	<u>\$( 626,302 )</u>	<u>\$10,291,934</u>	<u>\$ 630,000</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$13,000,000 1999 City of Lansing and County of Ingham Joint Building Authority serial bonds, due in annual installments of \$525,000 to \$1,620,000 through November 1, 2009; interest at 5.125%, payable semi-annually. \$ 1,760,000

\$9,105,000 2005 City of Lansing and County of Ingham Joint Building Authority refunding serial bonds, due in annual installments of \$75,000 to \$1,040,000 through November 1, 2019, interest at 3.5% to 4.25%, payable semi-annually; callable on or after November 1, 2015 at par with no premium. 8,970,000

\$10,730,000

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE D: LONG-TERM DEBT - CONTINUED****Advance Refunding - Prior**

On December 28, 2005 the County defeased a portion of the outstanding balance, \$8,490,000, of the 1999 City of Lansing and County of Ingham Joint Building Authority Bonds which were due and payable November 1, 2009. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued City of Lansing and County of Ingham Joint Building Authority 2005 Refunding Bonds in the amount of \$9,105,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the Authority's financial statements. At December 31, 2006, bonds due and payable November 1, 2009 for 1999 City of Lansing and County of Ingham Joint Building Authority Bonds in the amount of \$8,490,000 are considered defeased.

The annual requirements to pay the debt principal and interest outstanding for the bonds, contracts, and installment purchase agreements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 630,000	\$ 449,482
2008	665,000	418,414
2009	695,000	385,632
2010	730,000	351,232
2011	755,000	325,682
2012-2016	4,260,000	1,150,012
2017-2019	<u>2,995,000</u>	<u>254,732</u>
	<u>\$10,730,000</u>	<u>\$ 3,335,186</u>

**NOTE E: RELATED PARTY TRANSACTIONS**

The City and County have entered into an agreement with the Authority to lease the facilities acquired and constructed by the Authority. The lease payments are equal to the Authority's debt principal and interest payments. Lease payments for debt service received by the Authority from the City and County were \$601,957 and \$518,837, respectively.

Other services, such as administrative and accounting services, are being provided to the Authority at no cost by the City and County. The value of such services are inconsequential to the financial statements and, accordingly, are not recorded.

**NOTE F: RISK MANAGEMENT**

The Authority manages its risk exposures through commercial insurance. Settlements, if any, have not exceeded insurance coverage since inception of the Authority.